



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
TAYLOR COUNTY SHERIFF**

Calendar Year 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TAYLOR COUNTY SHERIFF

Calendar Year 2001

The Auditor of Public Accounts has completed the 2001 County Sheriff's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

During calendar year 2001, excess fees of \$41,544 were due to the Taylor County Fiscal Court. On December 11, 2001, Taylor County Fiscal Court approved to waive 2001 excess fees due to the County and allow the Sheriff to apply 2001 excess fees for the purchase of vehicles.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

Other Comment:

- We would like to commend the Taylor County Sheriff, John E. Shipp, and bookkeeper, Martha Cox, for excellent accounting procedures and recordkeeping.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Eddie Rogers, Taylor County Judge/Executive
Honorable John E. Shipp, Taylor County Sheriff
Members of the Taylor County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Taylor County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Eddie Rogers, Taylor County Judge/Executive
Honorable John E. Shipp, Taylor County Sheriff
Members of the Taylor County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

- We would like to commend the Taylor County Sheriff, John E. Shipp, and bookkeeper, Martha Cox, for excellent accounting procedures and recordkeeping.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 9, 2002

TAYLOR COUNTY
JOHN E. SHIPP, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

Federal Grants	\$	74,994
----------------	----	--------

State Grants

State Fees For Services:

Finance and Administration Cabinet	\$ 16,382	
Cabinet For Human Resources	228	
Marijuana Task Force	227	
Kentucky Law Enforcement Foundation		
Program Fund	25,332	42,169

Circuit Court Clerk:

Sheriff Security Service	\$ 8,572	
Fines and Fees Collected	9,730	18,302

Fiscal Court		98,479
--------------	--	--------

County Clerk - Delinquent Taxes		752
---------------------------------	--	-----

Commission On Taxes Collected		190,200
-------------------------------	--	---------

Fees Collected For Services:

Auto Inspections	\$ 11,155	
Accident and Police Reports	498	
Carrying Concealed Deadly Weapon Permits	6,030	
Serving Papers	23,780	
Lake Patrol	21,956	
Transporting Patients	9,334	72,753

Other:

Sheriff's Tax and Penalty Fees	31,748	
Miscellaneous	1,233	32,981

Interest Earned		7,549
-----------------	--	-------

Borrowed Money:

State Advancement		83,200
-------------------	--	--------

Total Receipts	\$	621,379
----------------	----	---------

TAYLOR COUNTY
 JOHN E. SHIPP, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

Disbursements

United States Department of Justice -	
Grant Reimbursement	\$ 2,529
Payments to State-	
Carrying Concealed Deadly Weapon Permits	4,005
Operating Disbursements and Capital Outlay:	
Personnel Services-	
Deputies' Salaries	215,123
Part-Time Salaries	71,227
Overtime	8,833
Employee Benefits-	
Employer's Share Retirement	3,700
Employer Paid Health Insurance	39,435
Contracted Services-	
Advertising	763
Materials and Supplies-	
Office Materials and Supplies	5,109
Uniforms	3,440
Auto Expense-	
Gasoline	14,452
Maintenance and Repairs	12,661
Mileage	4,487
Other Charges-	
Training	6,105
Drug Dog	575
Law Enforcement	10,511
Cellular Phone	1,238
Summons to County	7,900
Transporting Prisoners and Juror Meals	2,184
Miscellaneous	403
Dues	180

TAYLOR COUNTY
 JOHN E. SHIPP, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Capital Outlay-

Office Equipment	\$	540
All Terrain Vehicle		4,600
Radar Equipment		10,220

Debt Service:

State Advancement		<u>83,200</u>
-------------------	--	---------------

Total Disbursements		<u>\$ 513,420</u>
---------------------	--	-------------------

Net Receipts		\$ 107,959
--------------	--	------------

Less: Statutory Maximum and Training Incentive		<u>66,415</u>
--	--	---------------

Excess Fees Due County for Calendar Year 2001		\$ 41,544
---	--	-----------

Fiscal Court Approved Payments to 2002 Sheriff Fee Account (Note 6):

February 6, 2002	\$	40,000	
April 9, 2002		<u>1,544</u>	<u>41,544</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
------------------------------------	--	--------------------

The accompanying notes are an integral part of the financial statement.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent for the first six months and 16.28 percent for the last six months.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Deferred Compensation

The Taylor County Sheriff's Department participates in the deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by full time employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is present in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

Note 5. Investigation Fund

As of January 1, 2000, the Sheriff had a balance of \$643 in his forfeited drug account and received an additional \$9,897 during the year. Pursuant to the Taylor County District Court Order, these receipts are to be used in drug-related law enforcement. During the year, the Sheriff expended \$1,827. The balance as of December 31, 2001 was 8,713.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 6. Excess Fees

On December 11, 2001, Taylor County Fiscal Court approved to waive 2001 excess fees due to the County and allow the Sheriff to apply 2001 excess fees to the Sheriff's 2002 fee account to be used for the purchase of vehicles.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Eddie Rogers, Taylor County Judge/Executive
Honorable John E. Shipp, Taylor County Sheriff
Members of the Taylor County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Taylor County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated April 9, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Taylor County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Taylor County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 9, 2002

